

## **IRS RETIREMENT BENEFIT LIMIT SUMMARY**

Members of the Federated City Employees' Retirement System ("FCERS") and the Police and Fire Department Retirement Plan ("PF Plan") can estimate their future retirement income based on the formulas described in the Benefit Fact Sheets or by logging on to their account on the Retirement Services website and running their own estimate. (Of course, before making important decisions, you should check with your Plan on your benefit calculation.) For some members, however, the Internal Revenue Code (IRC) Section 401(a) (17) and 415(b) limit may put a cap on the amount the plans may pay you in retirement benefits.

### **IRC 401(a) (17) Compensation Limits**

Generally, IRC 401(a) (17) limits the amount of compensation that may be used to calculate a retirement benefit. The limit is adjusted annually; the maximum annual compensation that can be used to calculate your retirement benefit for 2021 is \$290,000. If you earned more than that amount in your annual compensation, we will not be able to include the excess in calculating your benefit.

If you first became a FCERS or PF Plan member before January 1, 1996, the IRC 401(a) (17) compensation limit does not apply to you.

### **IRC 415(b) Benefit Limits**

Section 415(b) limits the amount of retirement benefits that you may receive or accrue under a qualified retirement plan, such as the FCERS and PF Plan. This IRC cap on the annual maximum retirement payment may limit the annual retirement benefits you receive from the FCERS or PF Plan, even if you have not exceeded the section 401(a)(17) compensation limitation.

The Section 415(b) benefit limit varies a great deal based on your age at retirement, the date you became a FCERS or PF Plan member, post-tax employee contributions made by you, and the retirement option you choose. Remember, your age at retirement sets how your limit is calculated for your lifetime. For example, the basic dollar limit on benefits for 2021 is \$230,000 for straight-life benefit payments that start at age 62. If a retirement benefit is paid to you prior to reaching age 62, the limit will be adjusted downward. For example, if you retire as a general member at age 50 with at least 10 years of credited service in the FCERS or PF Plan, and you take a benefit for your life only, your annual limit would be approximately \$100,000. (This age reduction is not applicable for those employed by a police or fire department who have at least 15 years of service in the department or those who retire due to disability).

The limit is also significantly lower than what the chart below shows if you have less than 10 years of membership in the FCERS or PF Plan.

The dollar limit on benefit payments are adjusted periodically based on the Consumer Price Index. If your retirement benefit is affected by the Section 415(b) limit when you retire, the FCERS and PF Plan will notify you.

### "Qualified Participants"

A person who became a member of the FCERS or PF Plan prior to January 1, 1990, is considered a "qualified participant". For a qualified participant, the 415(b) limit is not less than the accrued benefit of the member under the applicable system, determined without regard to any amendment of the plan made after October 14, 1987.

Please contact the Office of Retirement Services for more information.

<b>Federated City Employees' Retirement System</b> <b>415(b) Benefit Limit for Retirements in 2021 *</b> <b>(before adjustments**)</b>			
<b>Retirement Age</b>	<b>January - June Retirements</b>		<b>July - December Retirements</b>
<b>48</b>	\$	93,816	\$ 93,810
<b>49</b>		99,585	99,579
<b>50</b>		105,771	105,764
<b>51</b>		112,408	112,401
<b>52</b>		119,541	119,534
<b>53</b>		127,210	127,204
<b>54</b>		135,467	135,462
<b>55</b>		144,365	144,361
<b>56</b>		153,952	153,949
<b>57</b>		164,281	164,280
<b>58</b>		175,435	175,435
<b>59</b>		187,493	187,494
<b>60</b>		200,544	200,545
<b>61</b>		214,680	214,681
<b>62 or older</b>		230,000	230,000

\* No forfeiture of accrued benefits is assumed upon death prior to retirement

\*\* Adjustments for the benefit limit are needed if the participant has:

- ° After tax contributions
- ° A form of benefit payment other than a single life annuity or QJSA.
- ° Less than 10 years of service.
- ° A hire date before 1/1/1990

**Note:** members with 15 years of qualified full-time Police or Fire employment are exempt from the reduction for age at retirement.